Brazil
Sustainable Economy

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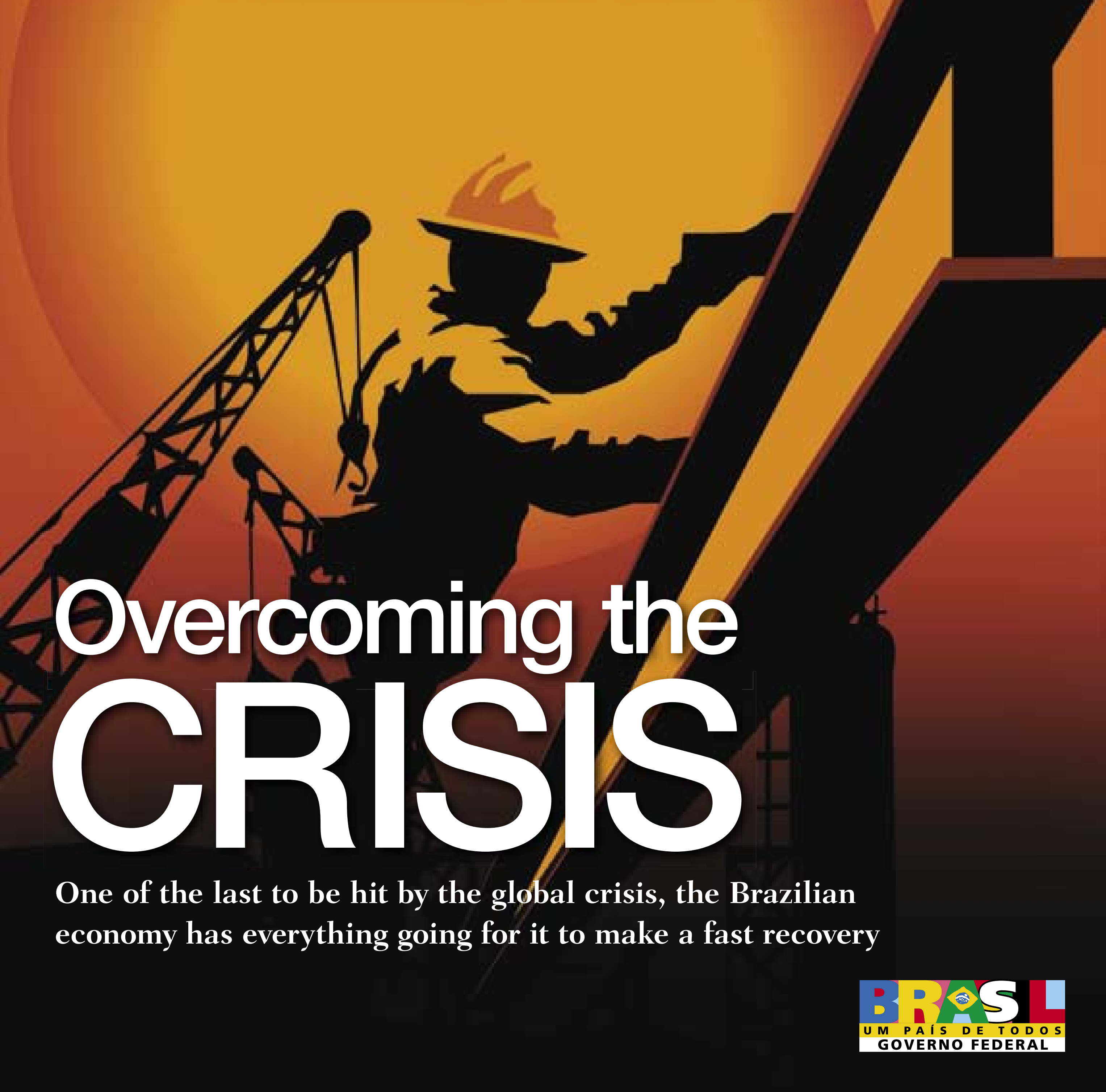

Overcoming the CRISIS

One of the last to be hit by the global crisis, the Brazilian economy has everything going for it to make a fast recovery

BRASIL
UM PAÍS DE TODOS
GOVERNO FEDERAL

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AES Eletropaulo/Divulgação

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Brazil – Sustainable Economy
A Ministry of Finance publication, created by the Social Communication Advisory Department, in partnership with the Special Projects Department of EXAME Magazine – Editora Abril S.A.

Brazil was prepared to face the world crisis

Brazil was one of the last countries hit by the worst crisis in capitalism of the last 80 years and it will be one of the first to break free. Right smack in the middle of predictions of worldwide recession, the Brazilian economy is still growing in 2009. The cycle of sustained development will not be interrupted. From 1998 to 2003 the GDP grew on average 1.6% a year. Because of the adoption of a new model of development by the Brazilian Government, the GDP average growth went up to 4.7% from 2004 to 2008, ending last year at 5.1%. In 2009, even at a slower pace, the country keeps growing. And in 2010 should return to the same levels of the last few years.

In this beginning of 2009, Brazil went from fourth to the second place in the ranking of investment activities in the last 12 months, behind China.

Why is Brazil better prepared to solve the crisis? Because it prepared itself, and created the conditions for overcoming the crisis. Brazil created an internal market that stimulates investment and makes long term investments viable to businesses, less dependent on the turbulences of the international market. In 2008 Brazil was among the countries that more expanded its exports, as much as US$ 197.9 billion. But exports represent only 13% of the GDP, in contrast to the 40% to 60% of the GDP of larger exporter countries.

A bold economic policy that created millions of jobs, together with a strong social policy of income distribution, has caused a virtuous circle of growth. In 2003 the middle class represented 42.4% of the population. In 2008 it reached 52.3% or 90 million consumers.

The fiscal solidity has marked the present economic policy. In 2008 Brazil reached investment degree and balanced the public debt. The impact of the international crisis didn't modify this position. In the first two months of 2009 Brazil maintained the primary surplus. The liquid debt of the public sector fell from 52.4% of the GDP in 2003 to 36% in 2008 with inflation under control.

In 2007, before the crisis started, the government started an ambitious development plan, the Growth Acceleration Program (PAC), with investments that will reach US$ 229 billion by 2010. In the beginning of 2009, it was reinforced with another US$ 64.6 billion.

Another decision of the Brazilian government, which acted as a shield against the crisis, was the acceleration of reserves accumulation starting in the middle of 2006. In April 2009 it reached US$ 202 billion.

Contrary to what happened in other international crises, Brazil is facing the present one in the situation of a foreign lender. Brazil announced in the beginning of April 2009, that it was accepting the invitation of the group of lenders of the IMF. If necessary, it will contribute with up to US$ 4.5 billion to strengthen the IMF funding, in order to loan resources to countries which are in need of help.

Another factor which has helped the country cope with the crisis was the solid banking sector, with a very sophisticated regulatory framework. The existence of strong state banks, with excellent management, turned out to be fundamental for overcoming the crisis, helping in the reduction of interest rates and expanding the credit supply.

Because of its solidity Brazil has been able to adopt, starting at the end of last year, several counter cyclical measures. The country reduced basic interest rates, making the monetary policy more flexible, adopting simultaneously fiscal exemptions measures and increasing investments. Among the main measures adopted in the beginning of 2009 was the reduction of required banking deposits, the change of income tax rates, and the reduction of the IPI tax on vehicles and the IOF tax on credit operations, and an additional US$ 45.4 billion for the BNDES Bank.

At the end of March the government announced a housing plan called "My House, My Life", geared for the low income population and the middle class, with investments of US$ 27.2 billion, with the prevision of creating of 3.5 million jobs and the construction of 1 million houses, which should add close to 2% of the GDP in the period of its implementation.

Brazilian development model intends to decrease inequalities and strengthen its internal market, facing the external crisis in a sovereign way. Increased participation in international forums, like the G-20, and the adoption of counter-cyclical measures when necessary intend to support the new cycle of sustained development.

Guido Mantega
Minister of Finance

In the English version the Real was converted at R$ 2,20 = US$ 1

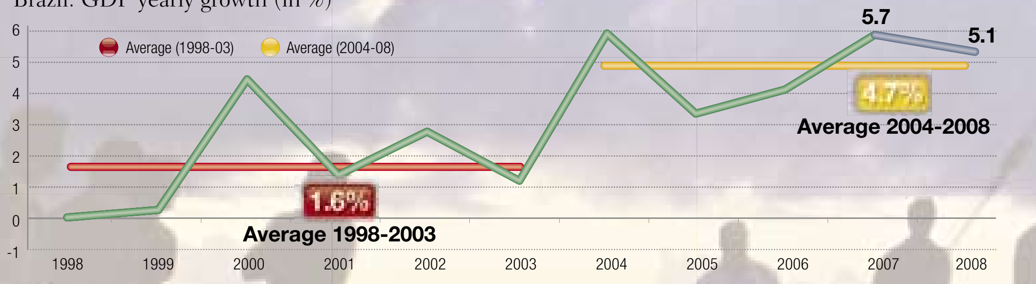
Safe haven

Over the last few years Brazil has created a set of conditions favorable to softening the impact of the international crisis

Seven months after the bankruptcy of the Lehman Brothers, which marked the onset of the largest international financial crisis in the last 80 years, it is still difficult to evaluate its duration or even its scope. In spite of countless measures taken by most of the affected countries, the impact on the global economy is stronger than those previously forecast. In this scenario, Brazil has been one of the least affected countries, for the country has now the means that will help if face the effects of the crisis, ranging from institutional and political stability to a new developing model.

Growth acceleration

Brazil: GDP yearly growth (in %)



Source: IBGE > Prepared: MF/SPE

Oscar Cabral

New oil and gas fields will turn the country into an energy power

L.C.Leite / AE

Shopping Mall in São Paulo: a new development cycle enabled the access of millions of people to the consumer market

"While worries of recession spread around the world, Brazil continues to be seen as one of the few places that offer economic growth perspective in the coming years"

Financial Times, London

In its study "World Economic Perspectives" the World Bank predicts that, for the first time since World War II, the planet's economy may enter into a recession. The volumes of trade may go down as much as 9% in 2009, points out the most recent WTO reports. The picture is aggravated by the investment retraction, cutbacks on credit and a negative flow of capital, which radically alter the expectations that had been considered, up until a few months ago.

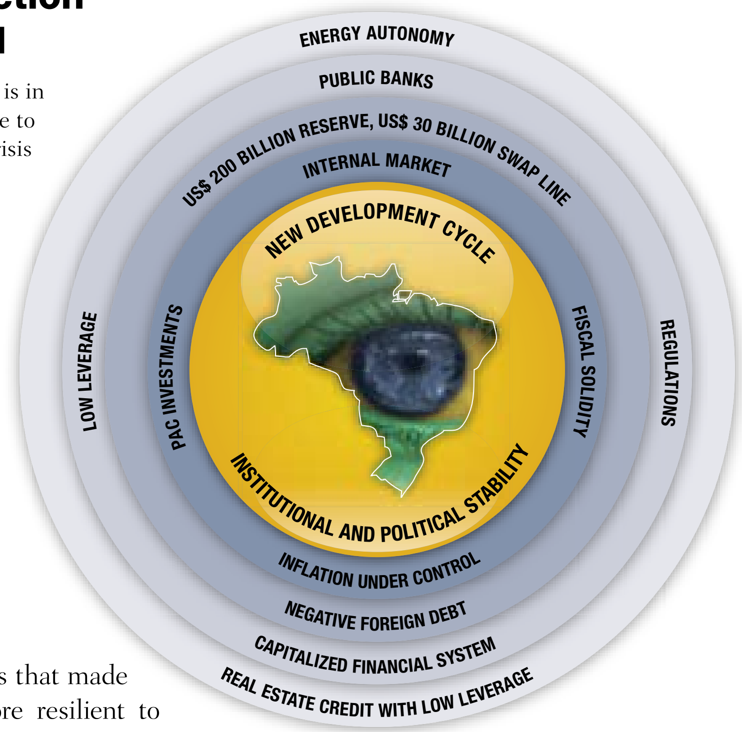
While most of the world was already living with signs of a slowdown, the Brazilian economy was undergoing a very consistent development cycle, the largest registered since the beginning of the 70's, totaling 27 uninterrupted quarters of economic growth. In the third quarter of 2008, exactly when the turbulence exploded, the Brazilian GDP in market values had an increase of 6.8%, if compared to the same period in 2007. With the results of the last four quarters, already under the influence of the difficulties brought on by international retraction, the GDP ended 2008 with an accumulated expansion of 5.1%, above the average of the most dynamic economies. Between 2004 and 2008 the country grew an average of 4.7% a year, a rhythm three times stronger than the ones presented between 1998 and 2003.

The new investment cycle has created the basis for the consolidation of a mass market that enabled the access of millions of people to education, health, electricity, credit and consumption, generating jobs and offering opportunities for companies. Today there are more than 90 million consumers with a monthly income superior to US$ 230. On the one hand, it is the result of an increase in the average income, which continues to grow. On the other hand, it is the effect of an income distribution program that, in a few short years, radically changed the profile of the consumer market, enabling millions of Brazilians to migrate from the bases of the social pyramid to the C and D income ranking. In 2008, the C class represented 52.3% of the population; in 2003, its participation was 42.4%.

The strength of the internal market is one of the factors that made Brazil more resilient to the crisis and less dependent on foreign countries. The country already has a place of prominence among those who exported more – in 2008 it was US$ 197.9 billion. But exports represent only 13% of the GDP, whereas for other big exporters sales to foreign markets are from 40% to 50% sometimes as much as 60%. Another issue that helped reduce the

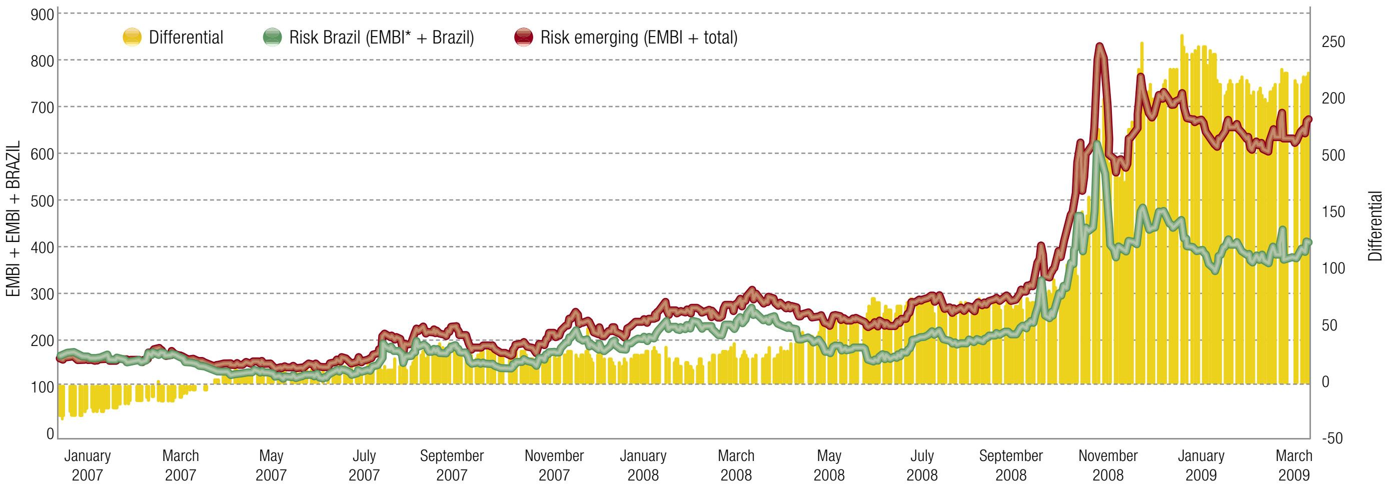
Protection Shield

Why Brazil is in better shape to solve the crisis



Risk Brazil x emerging

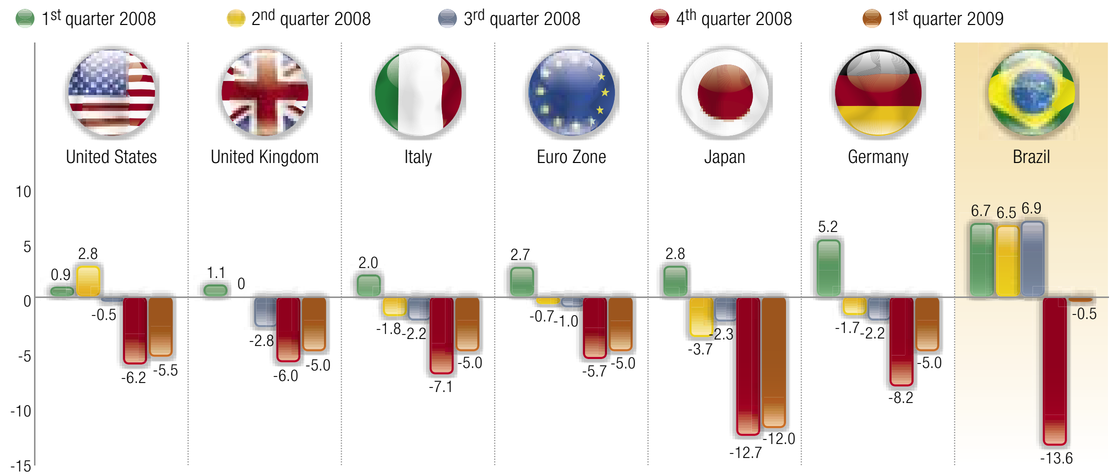
Increase in the differential compared to other countries



*Anacronym for Emerging Markets Bonds Index > Source: JP Morgan > Prepared: MF/SPE

Real GDP

Variation compared to the same period of the previous year – deseasonalized and updated index (in %)



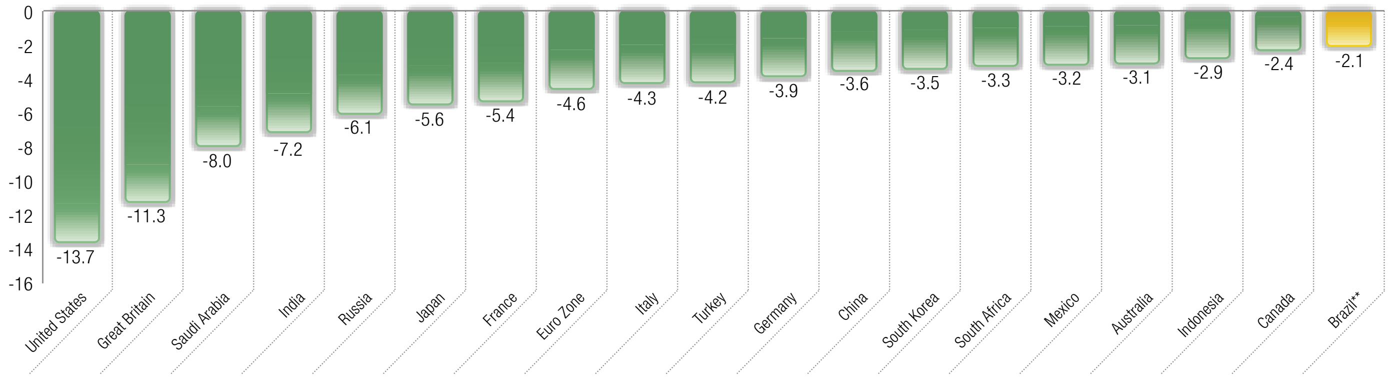
Source: JP Morgan-GDW > Prepared: MF/SPE

Trucks: high demand is a sign of economic warming

Divulgação

Fiscal results estimate in selected countries*

Brazil maintains one of the lowest levels of nominal debt in the face of the crisis



* Projections from Economist Intelligence Unit for 2009 > ** PLDO 2010 > Source: The Economist (21/March/09) > Prepared: MF/SPE

Brazilian Exports are diversified

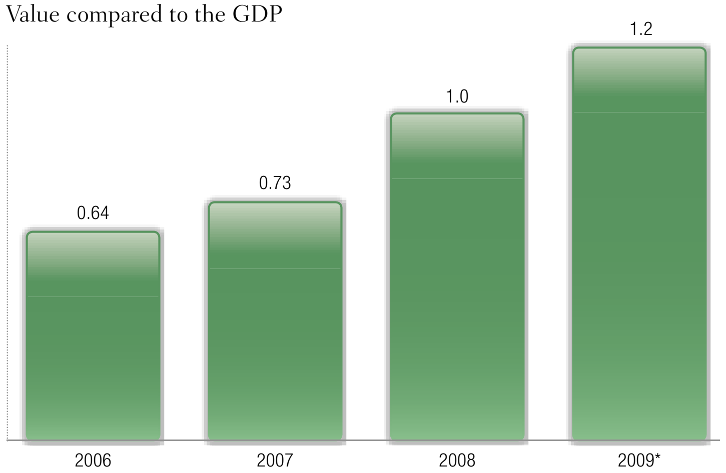
In the last years the country has opened new fronts without depending too much on only one market

	2000		January to October 2008	
	US$ billion (FOB**)	%	US$ billion (FOB)	%
Euro Zone*	15.35	27.84	39.84	23.52
United States	13.19	23.93	23.66	13.97
Argentina	6.24	11.32	15.43	9.11
China	1.09	1.97	15.13	8.93
Mexico	1.71	3.11	3.60	2.13
Chile	1.25	2.26	4.03	2.38
Japan	2.47	4.49	5.16	3.05
Venezuela	0.75	1.37	4.23	2.50
Other	13.03	23.71	58.29	34.41
Total	**55.08**	**100%**	**169.37**	**100%**

* Between 2000 and 2008 12 new countries have been registered > **FOB: free from freight
Source: MDIC 2008

Central Government Investments

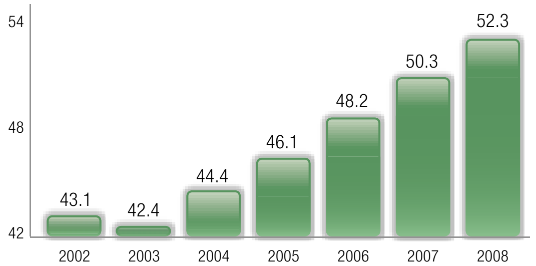
Value compared to the GDP



*Projection > Source: Staff > Prepared: Coapi/STN

Mass Consumption

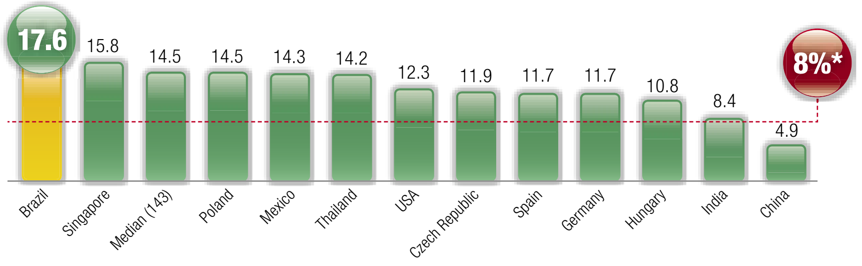
Participation of C class in the total population (in %)



Source: CPS/FGV from PME microdata > Prepared: MF/SPE

Solid Financial System

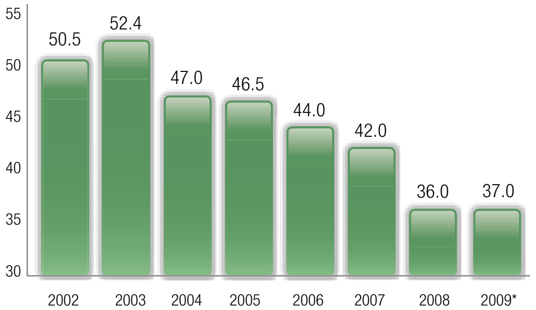
The lower the percentage, the higher the risk in the loans portfolio



* Percentage of capital recommended by the Basil II (2007) > Source: World Bank – 2008

Net debt of the public sector

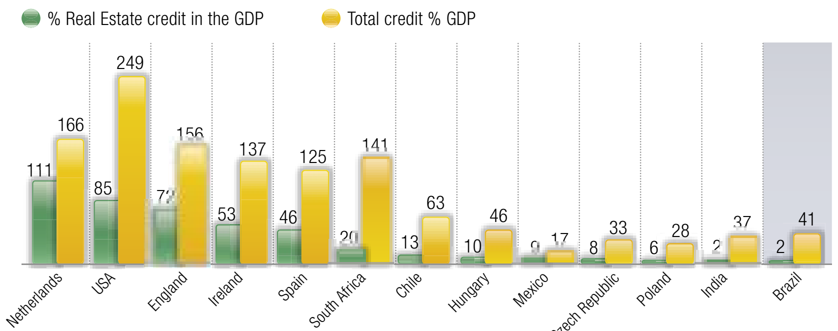
In GDP %



*Market Projections Focus 04/13/2009 > Source: BCB > Prepared: MF/SPE

Low leveraged Real Estate Market

In GDP %



Source: Global Property Guide, Central Banks > Prepared: MF/STN

external vulnerability is the marked diversification. The opening of new fronts during the last years has helped face the retraction of traditional partners. In March, China increased purchases and became the main destination of Brazilian exports. This policy was important to ensure the commercial surplus that, by the second week in April reached US$ 2 billion, about 11% above the same period the previous year.

The fiscal solidity has been another marked characteristic of the Brazilian economic policy in the last few years. For the first time the country had no difficulty paying its bills, a determining factor to ensure, in the beginning of 2008, the investment grade rating, with an upgrade of its classification in perspective for 2009 by Standard & Poors. The fiscal balance has not been altered with the impact of the global crisis. In the first two months of 2009 Brazil continued to register a primary surplus. The result was inferior to the same period in 2008, but it confirms a healthy movement in the domestic economic scenario.

The net debt of the public sector has gone down from 52.4% in 2003 to 36% in 2008 and inflation has been under control. Last year, the country was one of the few among those who set inflation targets to reach the expectations forecasted. This picture has been maintained: in March, the consumer price index increase

> “The Brazilian banking sector is a profitable exception in an international scenario marked by turbulences”
>
> *The Economist*

was 0.20%, the smallest level for any month since September 2007.

The government has continued with the PAC (Growth Acceleration Program), an ambitious development plan with investments in the improvement and expansion of infrastructure, besides measures for the expansion of credit and reduction of bureaucratic obstacles, costs and taxes. Launched in 2007, the PAC forecasted resources of US$ 229 billion by 2010. In the beginning of 2009, when it completed two years, it received an extra US$ 64.6 billion, of which US$ 38.3 billion were for investments in the social and urban areas, US$ 17.1 billion for logistics and US$ 9.2 billion for energy. In 2003, before the PAC, the federal money directed to infrastructure represented 0.31% of the GDP. In 2007 this percentage went up to 0.73% and in 2008 it reached 1%. By December 2008 the PAC included 2,378 actions; out of this total, 80% are on track and 11% in the conclusion step.

At an accelerated rhythm of accumulation since the beginning of 2006, the volume of international reserves also served as a shield to soften the effects of the crisis. In September 2008, when the turbulence started, they were above US$ 200 billion, a historical hallmark. At the end of December, their total was US$ 206.8 billion, one of the largest assets in foreign currency in the world.

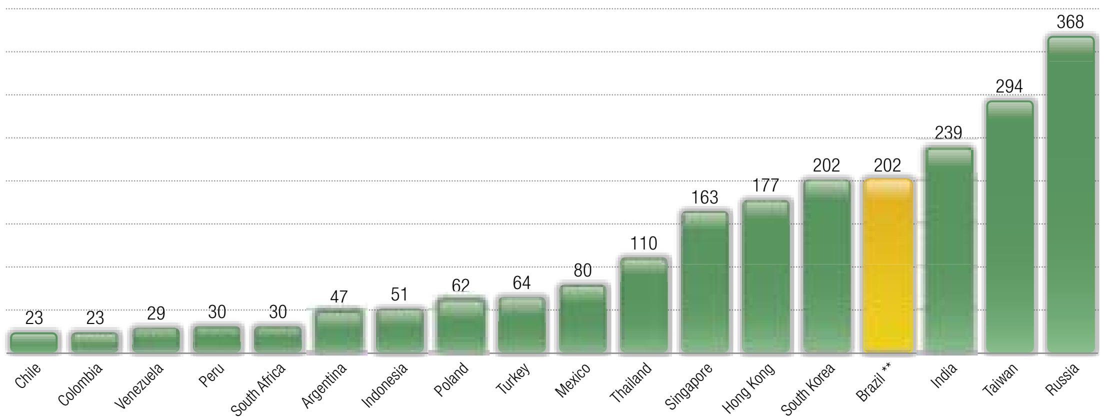
Contrary to what happened in other international crisis, the country faces the present one as a foreign lender, with reduced vulnerability. Leaving behind the classical role of borrower from the International Monetary Fund (IMF), Brazil announced, in the beginning of April, that it was invited to take part in the group of creditors of the institution as a lender. If necessary, the country can contribute with up to US$ 4.5 billion to support the IMF funds with the objective of lending resources to countries that need assistance to face the global crisis.

The Brazilian financial system shows strength and stability. The public banks play a significant part in the credit composition and the ten biggest institutions present indexes well below the recommended ones by the Basel II. The relation credit/GDP is low, the leverage over the assets is at a degree inferior to the one internationally recommended and real estate credit offers no risk like that of the sub prime in the United States.

An article published in March by the British magazine *The Economist* classifies the Brazilian banking sector as a “profitable exception” in an international scenario marked by turbulences. *The Economist* observes that foreign banks with

International Reserves*

US$ billion



*Data referring to February/2009> **Last available data – 04/14/2009>Source: JP Morgan/Emel (March/2009) > Prepared: MF/SPE

Housing construction and urbanization work at Complexo do Alemão, one of the biggest population clusters in Rio: a project with investment from PAC

Fernanda Almeida

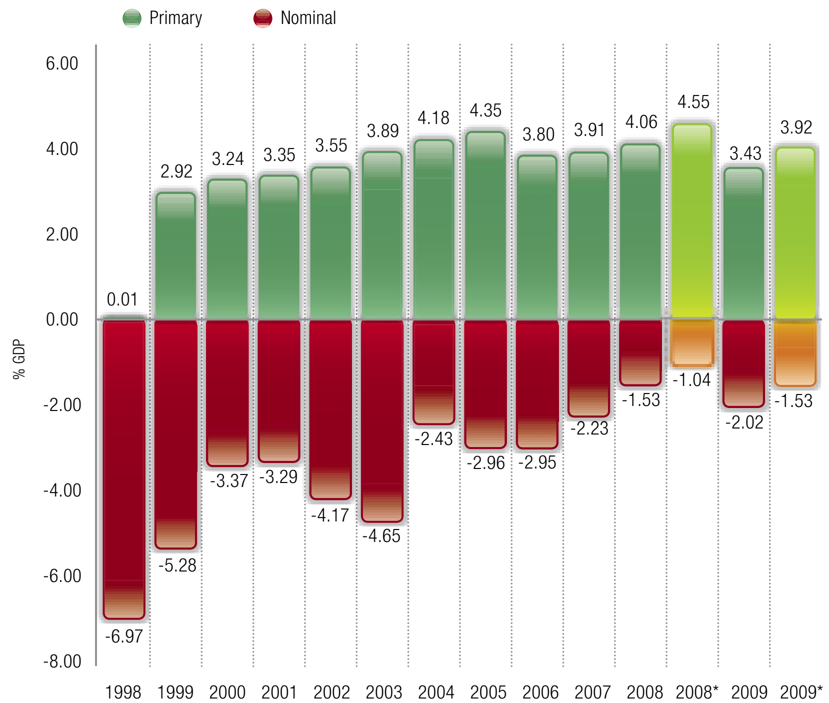
serious problems in most parts of the world continue to show good results in Brazil. This picture greatly reflects the sophisticated regulatory model adopted by Brazil.

There is yet another in this set of favorable factors: its autonomy in energy. The energy potential, enhanced by the recent discoveries of big oil and gas fields in the pre-salt level, deep down below sea level – a challenge for which Petrobras has prepared, developing the most advanced technologies available – and the production of ethanol, will transform Brazil into an exporter of energy by 2020. It is a competitive advantage that enhances the chances of the country to continue to keep, in the long run, the growth presented in the last years.

Its consistent macroeconomic policy enables Brazil to adopt counter cyclical measures in opposition to what happened during other international crisis when the interests went up, the external debt and the primary surplus increased, inflation skyrocketed and investments were cut back. It was a picture of vulnerability that made the whole country step on the brake for a long period. ■

Fiscal Result for the Public Sector

2008: year accumulated, in GDP %
2009: 12 accumulated months until February, in GDP%



*Considering the Effort from Brazil Sovereign Wealth Fund > Source: BCB > Prepared: MF/STN

Production line at a car company: sector had the best March ever

The economic recovery

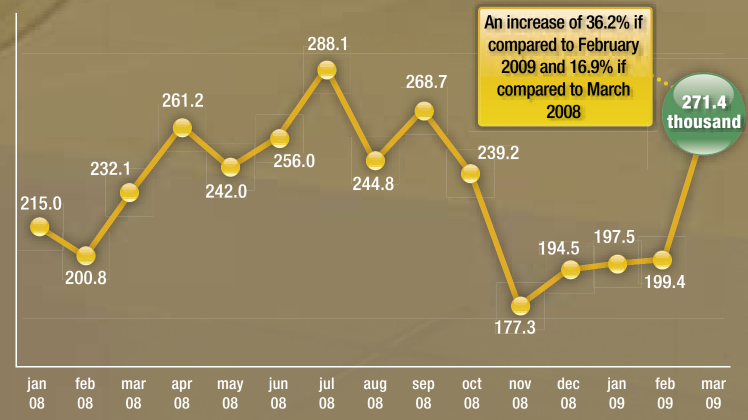
Some sectors are growing again, the employment level goes up and the companies expand their investments

The G-20 meeting that happened in the beginning of April in London showed the new role Brazil is now playing in the global scenario. If before the meeting there was still no certainty about the country's capacity to influence decisions, what we saw was the approval of the main proposals presented by the Brazilian delegation. Among them are the penalties to fiscal paradises and stronger regulation of the global financial system.

This is one of the most recent hallmarks that Brazil's image and credibility have been acquiring abroad, not only due to the economic development cycle and the social results of the last few years, but also due to its capacity to manage the crisis and reduce its effects with a consistent and responsible microeconomic policy.

Automobile market in Brazil...

Results from 2008 and 2009 (in thousands of units)



* Includes automobiles and small commercial vans, trucks and busses > Source: Anfavea

... and abroad

January and February (in thousands of units)

	2009	2008	Variation (in %)
USA	1,342	2,211	-39.3
JAPAN	682	879	-22.4
GERMANY	503	501	+0.4
FRANCE	375	427	-12.2
ITALY	349	494	-29.3
SPAIN	137	258	-46.9
ARGENTINA	67	103	-34.9
MEXICO	134	192	-30.2
BRAZIL	396	415	-4.6

Sources: VIDA, COFA, Anfac, Adefa, Amia, World's AutoInfoBAnk, AutoNews Reuters/Japan Automobile Dealers Association

Pedro Motta

> "Brazil has changed levels and became the flagship of the global economy"
>
> *Weber Porto, president of the Brazil-Germany Chamber of Commerce*

Brazil was also affected by the economic retraction that hit practically all the world but, contrary to the majority of the other countries, it starts giving signs of reaction that present a moderately optimistic scenario. One of the last economies to be hit by the crisis, The Brazilian economy has everything going to be one of the first out of it.

Industrial data from the IBGE (Brazilian Institute of Geography and Statistics) signals to a growth, in February, of 1.8% over January 2009, when a sequence of three negative results was interrupted. The study shows there was an increase in production in 16 out of the 27 segments polled.

This tendency is confirmed by other indicators. Energy consumption increased 2.1% if compared to March regarding the same period last year and 2.7% if compared to the previous month, according to the National System Operator (ONS). The fuel sales, contrary to what had happened the previous month also had an increase in March, another sign that, in Brazil, the worst of the crisis may be behind us. In the 29 days of February supermarkets managed to increase the real revenue in 4.16% in comparison with the same month in 2008. In the first two months of 2009, real sales showed

In March energy consumption, an indicator of economic activity, went up 2.1% in the country

Lalo de Almeida

an expansion of 5.37%. Cement sales increased 11.5% in March. More good news: the forecast is for a harvest of 138 million bags of grains, the second largest in history.

New cars, trucks and buses had the best month of March in the history of the car industries in Brazil, confirming the impulse given to the sector by the fiscal measures and economic stimulus adopted by the government. The increase was 36% if compared to February and of almost 17% if compared to March 2008, according to data from the National Federation of Distribution of Motor Vehicles (Fenabrave). During the first quarter, sales went up 3% over the same period last year.

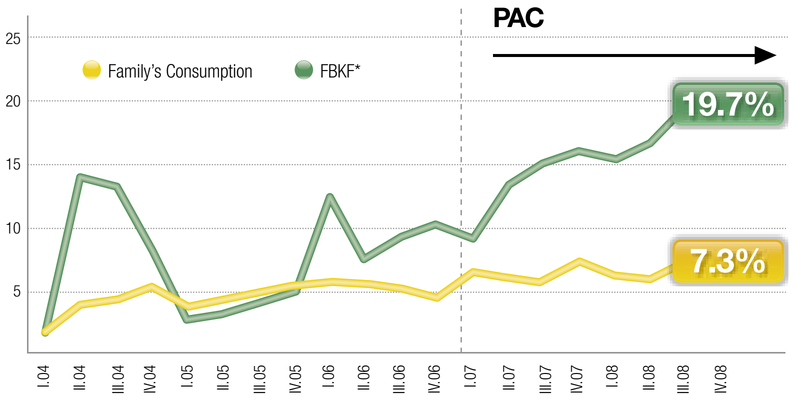
Resuming activity levels to the same indexes of the middle of 2008, the Brazilian automotive industry has been one of the least affected by the crisis, if compared with what goes on in other countries. Optimists, the auto companies are back to normality – General Motors has anticipated the return to work of 300 employees that were on paid leave – and continue with their expansion plans. One example is the french Renault that will announce, by the end of the year, a new business plan, with resources of about US$ .45 billion.

A study carried out by the magazine *Exame*,

> "The Brazilian economy is strong and has a very comfortable reserve level"
>
> *IMF*

Bigger investment Cycle

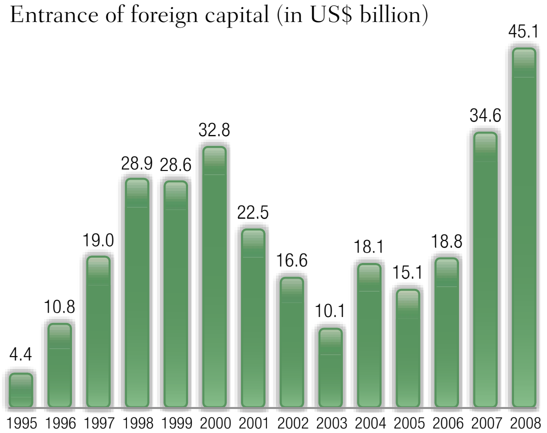
Variation compared to the same quarter of the previous year (in %)



*Gross Fixed Capital Formation > Source: IBGE > Prepared: MF/SPE

Direct foreign investment

Entrance of foreign capital (in US$ billion)



Source: BCB

More formal jobs

Net creation of formal work positions (absolute variation – in thousands)

Source: MTE/CAGED > Prepared: MF/SPE

Cement: civil construction's reaction increased sales more than 11% in March

Store in the Northeast: retail maintains good performance

at the end of last year, with 108 multinationals operating in Brazil, showed that, even with a less favorable scenario than the one registered during the last years, 60% of the companies polled consider maintaining their programmed investments for the country in 2009. The study also shows that 39% of them expect results superior to other subsidiaries, which will increase their importance in their respective groups.

The biggest Aluminium producer in the world, Alcoa, United States, has communicated that they will continue to put into action an ambitious program with investments of US$ 8 billion by 2010. Telefonica forecasts an increase of 20% in its resources destined to Brazil. In 2008, the spanish group invested US$ .9 billion in the country.

The American supermarket chain Wal-Mart also makes its bet in the Brazilian market and is investing US$ .73 billion in the opening of new stores. "Brazil has a privileged position. The country is not immune, but it will grow this year", says Hector Nuñez, national president of the company. In 2008 Wal-Mart showed revenues of US$ 7.7 billion, which represented a growth of 17% compared with the previous year, twice the world average which was around 8%.

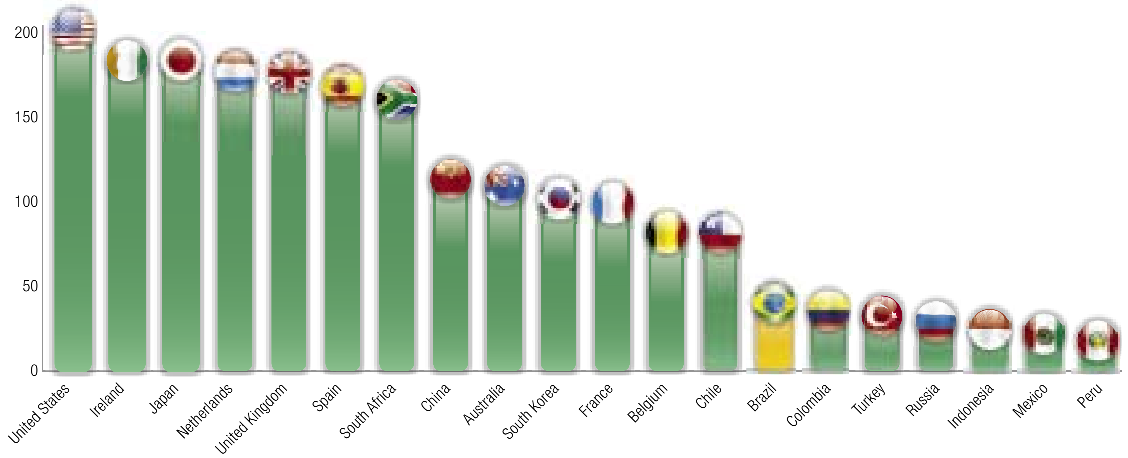
Brazilian companies are, likewise, continuing their projects and reinforcing investments. CPFL, the largest private group of the electric sector will increase the volume of resources to expand its action about 5%. The company has reserved a total of US$ .5 billion for investments in 2009. Even sectors that were hit by the drop in exportation, such as the steel companies, have not interrupted

"Brazil today is a self confident country with considerable growth"

ABC, Spain

Credit to the Private Sector

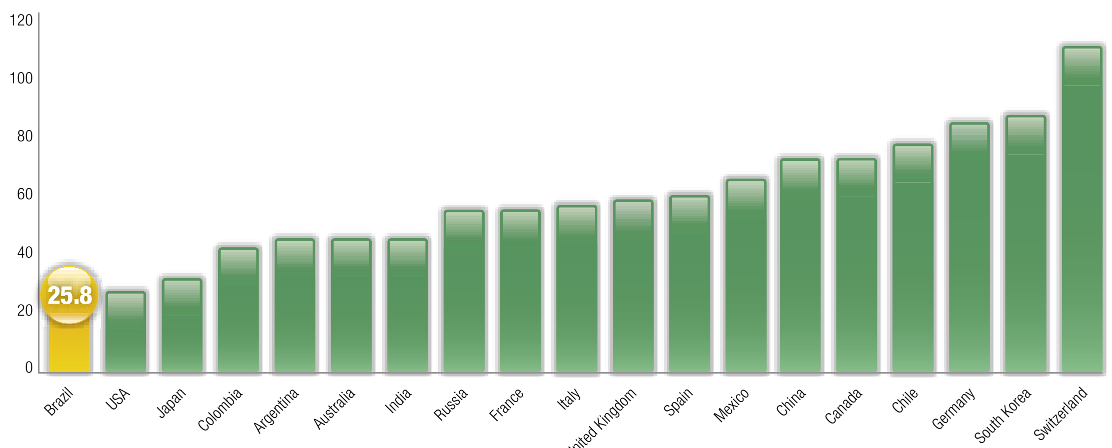
In spite of the strong growth in recent years, Brazil still has a low Credit/GDP index (in %)



Except Brazil* - data from BCB, Nov/2008 > Source: World Bank – WDI 2008 > Prepared: Febraban

Total Trade

Total of exports and imports from 2005 to 2007 (in GDP %)



Source: WTO (October 2008) > Prepared: MF/SPE

"Looking at the long and medium term perspectives, Brazil is a country destined to grow"

Ivan Zurita, Nestlé's president

Germano Lüders

Equity Market: shares go up again and bring foreign investors back

their plans. CSN is opening a new front, with investments of US$ 2 billion in mining, and Usiminas has announced that it will invest US$ 8.7 billion in new projects. Braskem, one of the leaders in the petrochemical sector, plans to invest more than US$ 409 million this year. Most of the resources are to be for an increase in productive capacity and modernization of equipment.

In March almost 35 thousand formal jobs were created, according to numbers from the General Registry of Employed and Unemployed (Caged), confirming a reaction seen in February, when other 9,200 positions were open. It is a picture that, although still timid, signals a recovery.

Another reflex of the country's reaction to the crisis is the equity market. In the beginning of April, Bovespa (São Paulo Stock Market) hit a record, with the highest index in six months. In March, there was an inflow of US$ .6 billion in foreign resources, the best monthly result since May 2008. These two indicators show that foreign investors went back to the trading floor and that the equity market started showing better performance than other international equity markets.

A study carried out by Latin America Venture Capital Association with funds from all over the world to choose the best investment options in 2009 says Brazil has 43% of the intentions, a broad margin over other countries from the Bric – India (18%), Russia (13%) and China (8%).

According to another study – Emerging Markets Private Equity Survey from 2009 – Brazil was the country that went up more in the ranking of activities for investments over 12 months, being now in second place, after China. In 2008 it held fourth place. Now, 18% of the investors consider Brazil a "very attractive" destination, 2% more than India, second in the rank. The behavior of the Real is among the factors that contribute to this favorable scenario. After the increase of the first weeks of the crisis, the Brazilian currency has stabilized at a lower level and has been showing a tendency to decrease. Since the beginning of February, the Central Bank has not held any auctions to control its quotation.

This scenario draws more and more attention to the country. "While worries about recession spread, Brazil continues to be seen as one of the few places that offer economic growth perspective in the coming years", says an article recently published by the renowned British newspaper Financial Times.

Investments' activities

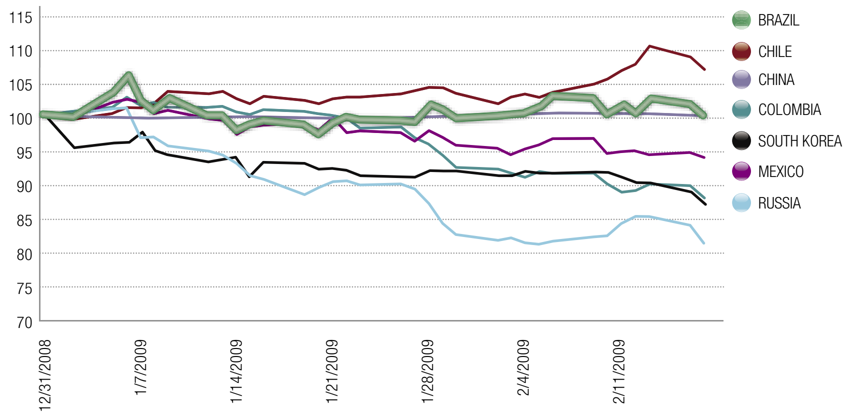
Brazil was the country that increased most in the ranking for applications over 12 months

	2009	2008	Variations in the ranking
China	1	1	0
Brazil	2	4	2
India	3	2	-1
Central and Eastern Europe (including Turkey)	4	3	-1
Latin America (except Brazil)	5	7	2
Africa (except South Africa)	6	5	-1
South Africa	7	9	2
Middle East	8	8	0
Russia / CIS	9	6	-3

Source: Emerging Markets Private Equity Survey of 2009

The Real in comparison with other currencies

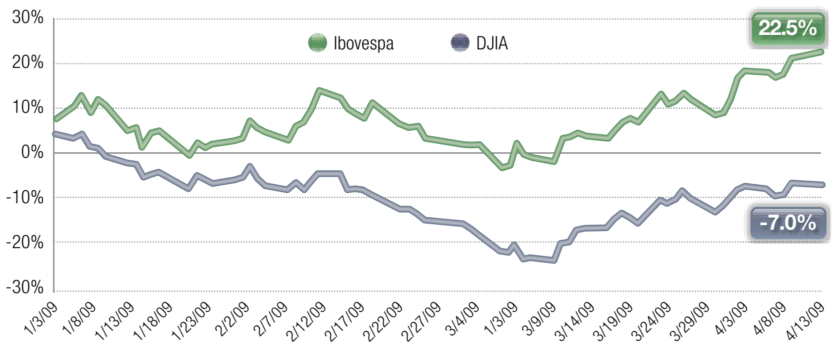
Dollar/other country's currency (dec/31/2008, base 100)



Source: Bloomberg > Prepared: MF/STN

Bovespa and Dow Jones Performance

Variation in % compared to 12/30/2008 – Daily data



Source: Reuters > Prepared: MF/SPE

Efforts to face the crisis

The government invests in initiatives to soften the impact of the turbulence and stimulate the economy

The reaction of the Brazilian companies and consumers that has been stirring up the Brazilian economy is greatly based on a series of counter cyclical measures adopted by the government to soften the impact of the crisis. When the first signs of slowdown were noticed, the government expanded the financing to exportation and the credits to the agribusiness and made resources available for the naval industry, injecting more money into the economy; compulsory deposits for banks were also reduced. A total of US$ 45 billion in compulsory deposits was liberated by the Central Bank.

Housing: one of the sectors that grows most with the government's incentive measures

Lalo de Almeida

The first step, immediately after the first signs of a slowdown, was the reduction of the compulsory deposit from banks, with the objective of injecting more money in the economy. Another effort was to expand the limits of the Proex (Export Financing Program), which was previously restrict to companies with revenues up to US$ 136.6 million. The objective is to increase the export base and make up for the shortage of credit for foreign trade operations. The government estimates that between 800 and 900 companies will make use of these resources, which add up to a total of US$ .6 billion. The financing to the agribusiness was also expanded and will count with resources from US$ 40 billion to US$ 45 billion for the 2009/2010 harvests. In the previous harvest, the financing was of US$ 35.5 billion. In order to stimulate investments on production, US$ 4.5 billion from the Fundo da Marinha Mercante (Merchant Marine Fund) were made available, to ensure financing to the naval industry, which has already been one of the strongest in the world but was stagnant for two decades.

Among the most recent measures to fight the crisis are the increased facilities to take loans in public banks and changes in the income tax rates, which will guarantee the tax reduction for all workers, regardless of the value of the salary. This measure will inject at least US$ 2.2 million in the economy. On the same line is the reduction of taxes on credit operations and on industrialized products, the latter aiming at stimulating the purchase of vehicles. This measure, adopted to heat up the market, has given an impulse to the sector and was prorogated for an extra quarter.

An important part in the counter cyclical arsenal is the government's and public companies' investments. Petrobras will invest US$ 79.3 billion in the period from 2009 to 2013. It is one of the biggest investment projects ever carried out by a company in the sector. Most of the resources will be destined to exploration and production, especially in the pre -salt, an area 800 km long between the south and southeast region of the country and that has huge fields of oil and gas, 7 thousand meters deep.

The main organism fostering development, the BNDES (National Bank of Economic and Social Development) received a big additional contribution. With this contribution, its disbursement will add up to US$ 76.4 billion in 2009, a historical record, well above the US$ 41.4 billion offered to companies last year.

Even before the aggravation of the global crisis in September 2008, the Brazilian government proposed a counter cyclical measure to relieve the impact on the economy: the creation of a sovereign wealth fund. Initially made up of resources from the primary surplus, the Brazil Sovereign Wealth Fund will be an important source of resources for the Brazilian companies in the coming years, mainly in scenarios of credit restrictions.

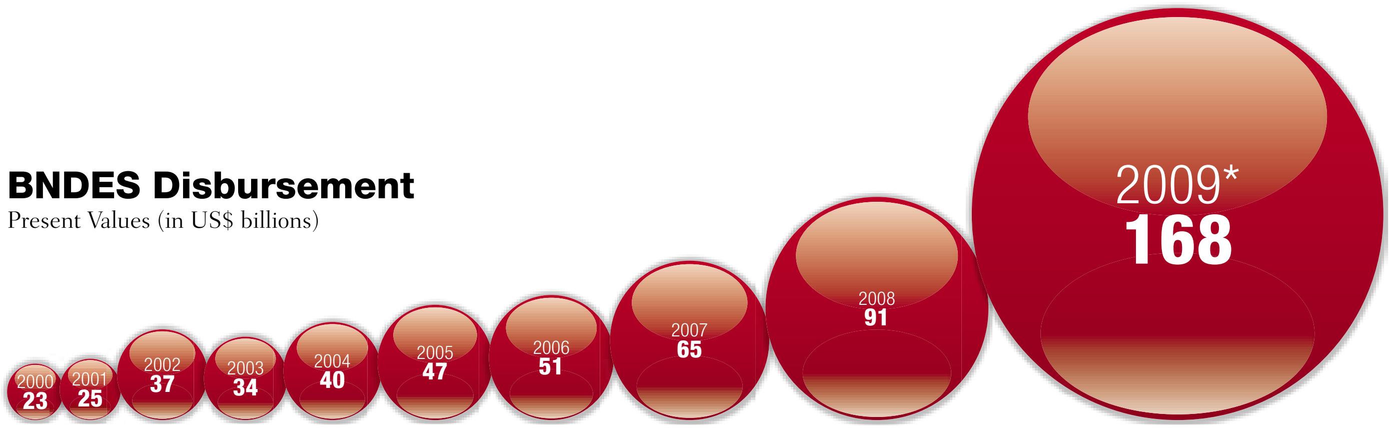
The most recent measure to strengthen the economy is the program "My House, My Life", announced at the end of March.

Dockyard in construction: resources help the Brazilian Naval Industry to rise again

Oscar Cabral

BNDES Disbursement

Present Values (in US$ billions)



* Maximum possible value> Source: BCB/BNDES > Prepared: MF/SPE

Main measures adopted

Inter-banking market
- Reduce compulsory deposit and speed up rediscount operations, injecting US$ 45.5 billion into the economy.

Exchange Market and Export
- Dollar auction in currency and in the future market (swaps).
- Dollar auction directed to the financing of Pre-shipment export financing (ACCs).
- Investment of part of the international reserves in the expansion of financing sources of Brazilian companies abroad.

Agribusiness Financing
- Anticipation of BB disbursements
- Additional resources for various funds (US$ 2.3 bi)
- Increase in directed credit with compulsory.
- A US$ 227 million line for Center-Western producers.
- Expansion of the PGPAF (Price Guarantee for Family Agriculture Program) for the investment operations beginning on the 2008/2009 harvests.
- Creation of the LEC (Special Commercialization Line) during the 2008/2009 harvests.
- Extension of term for renegotiation of rural debts (after Law 11.775/2008).

Investment and Production Financing
- Maintenance of TJLP on 6.25% p.y.
- Expansion of resources for the BNDES (US$ 45.5 bi) and transferring of line of US$ 2.3 bi from the World Bank
- More than US$ 2.7 bi for working capital, pre-shipping export and swing loans.
- Merchant Marine Fund (more than US$ 4.5 bi)
- 2nd Phase of the Revitalize Program (US$ 1.8 bi)
- Increase in Petrobras' Investment Program
- Continuity in the expansion of investments in infrastructure (PAC: US$ 64.6 bi more by 2010).

Housing Finance
- Working Capital Line from CEF (US$ 1.4 bi).
- Simplification of the guarantees required and expansion (from US$ 3.2 thousand to US$ 11.4 thousand) of the financing limit for the acquisition of building material (via CEF).
- Permission to apply up to 5% of the savings deposits in working capital operations for housing.
- Real estate financing (BB and CEF) for the Federal Government employees – US$ 1.8 bi from each institution.
- New Housing Program: includes subvention for Housing (US$ 7.3 bi from the Federal Government), subvention from FGTS (US$ 1.1 bi from the Federal Government and US$ 3.4 bi from the FGTS), Infrastructure Financing (US$ 2.3 bi from the Federal Government), Grantor's Fund (US$ .9 bi from the Union), Productive Chain Financing (US$ .5 bi from BNDES).
- Reduction of IPI Tax.

Stimulus for Market Solution
- Reduction of the bank compulsory deposit conditioned to the acquisition of loan portfolios.
- Authorization for BB and CEF to be shareholders in financial institutions (MP 443).
- Creation of the company Caixa – Banco de Investimento. (investment bank).
- Support to small and medium banks with extension of guarantees from US$ 27 thousand to US$ 9 million in CDB/RDB.

Automobile Sector
- US$ 1.8 bi form BB to car companies' banks
- Motorcycle financing (reduction in the IOF).
- Decrease in the IPVA of vehicles and PIS/COFINS of motorbikes.
- US$ 182 million line (US$ 91 million from FAT and US$ 91 million from BB) for working capital of used car dealers, upon guarantee of employment maintenance.

Autoparts
- US$ 1.4 bi for working capital.

Tax Policy
- Postponement of tax payment.
- Acceleration in returning credit.
- 1,5% IOF reduction for foreign capital invested in fixed rate.
- IOF reduction for direct credit to individuals.
- Income Tax rate reduction for individuals.

Other measures
- Suspension of request of Clearance Certification (CND) for 6 months, for loans in public banks.
- Increase in the Minimum Salary to US$ 211.
- Qualification Voucher: a new methodology for payment of the program.
- Unemployment insurance: increase in the number of payments for the sectors most affected by the crisis.
- More resources for local govern (US$ .45 million)
- Reduction of the Primary Surplus (2009). Petrobras removed from the calculation.

Emprego + casa própria = crescimento

Plano habitacional lançado pelo governo vai permitir a construção de 1 milhão de moradias

O Brasil convive, historicamente, com um grave déficit habitacional – atualmente estimado em cerca de 7,2 milhões de moradias. Anunciado no final de março, o programa "Minha Casa, Minha Vida" – que está sendo chamado de PAC Habitacional, em referência ao Programa de Aceleração do Crescimento (PAC), para a ampliação e melhoria da infraestrutura – é a mais ambiciosa iniciativa já empreendida no País para enfrentar esse problema.

O objetivo é construir 1 milhão de casas e apartamentos, 400 mil para quem ganha até três salários mínimos, faixa que não era atendida pelo mercado.

Estão previstos investimentos da ordem de R$ 60 bilhões. A expectativa é que o plano habitacional eleve o PIB em pelo menos 2% e, segundo a Caixa Econômica Federal, pode gerar 3,5 milhões de novos postos de trabalho nos próximos três anos, dando um forte impulso à economia.

Job + your own house = growth

Housing plan launched by the government will enable the construction of 1 million houses

Brazil has been living, historically, with a serious housing deficit – at the moment estimated in about 7.2 million houses. Announced at the end of March, the program "My House, My Life" – called Housing PAC, in a reference to the Growth Acceleration Program (PAC), for the extension and improvement of infrastructure – it is the most ambitious initiative ever taken in the country to deal with the problem.

The objective is to build 1 million houses and apartments, 400 thousand for those who earn up to three minimum salaries, a segment that was not attended by the market.

Investments of about US$ 27.3 billion are forecasted. The expectation is that the housing plan raises the GDP at least 2% and, according to Caixa Economica Federal can generate 3.5 million new jobs in the next three years, bringing a strong impulse to the economy.

Ilustração: JFerraz